

Message Text

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ACTION EUR-25

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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 6919

C O N F I D E N T I A L MOSCOW 3721

E.O. 11652: GDS

TAGS: ENRG, US, UR

SUBJ: ROCK ISLAND HDROPOWER PROJECT

REF: STATE 9135

1. AT AMBASSADOR'S LUNCH MARCH 15 FOR DEPMIN FOREIGN TRADE ALKHIMOV AND OTHER OFFICIALS OF THAT MINISTRY, V.I. RODNOV, CHIEF OF MAIN ADMINISTRATION FOR EXPORT OF INDUSTRIAL EQUIPMENT, RAISED SUBJECT OF JOINT SOVIET-WESTINGHOUSE BID FOR EQUIPMENT TO BE INSTALLED AT ROCK ISLAND PROJECT. ACCORDING TO RODNOV, SOVIET FOREIGN TRADE ORGANIZATION ENERGIES EXPORT HAD JUST BEEN ADVISED BY WESTINGHOUSE THAT THEIR JOINT BID HAD BEEN DISQUALIFIED BECAUSE TWO OF LOCAL ELECTRIC POWER DISTRIBUTION GROUPS IN WASHINGTON STATE HAD REFUSED ACCEPT POWER FROM ROCK ISLAND PROJECT IF SOVIET EQUIPMENT WERE TO BE INSTALLED. RODNOV SAID THAT THIS ACTION HAD COME AS SEVERE DISAPPOINTMENT TO SOVIETS, WHO HAD EARLIER BELIEVED THAT THEIR JOINT BID WITH WEST-INGHOUSE HAD BEEN SUCCESSFUL. ALTHOUGH RODNOV POINTED OUT THAT SOVIET SHARE OF CONTRACT WAS RELATIVELY SMALL (ABOUT \$15 MILLION), HE SAID THAT ROCK ISLAND CONTRACT HAD ASSUMED "SYMBOLIC" IMPORTANCE FOR SOVIET FOREIGN TRADE OFFICIALS AS INDICATOR OF UNITED STATES WILLINGNESS PROMOTE TWO-WAY TRADE IN MANUFACTURED PRODUCTS. CHIEF OF ADMINISTRATION FOR TRADE WITH COUNTRIES OF AMERICAS N.V.ZINOV'YEV SUBSEQUENTLY MADE SAME POINTS AND ADDED THAT ROCK ISLAND EXPERIENCE MADE IT MORE DIFFICULT FOR SOME SOVIET OFFICIALS (HIMSELF INCLUDED) TO ARGUE IN FAVOR OF PLACING

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INDUSTRIAL EQUIPMENT ORDERS WITH US SUPPLIERS.

2. RODNOV AND ZINOV'YEV ALSO COMPLAINED ABOUT PROBLEMS WHICH THEY SAID HAD RECENTLY DEVELOPED IN SOVIET NEGOTIATIONS WITH NORTH AMERICAN ROCKWELL FOR SALE OF YAK-40. ALTHOUGH NEITHER WAS PREPARED GO INTO SPECIFICS, BOTH INDICATED BELIEF THAT US AIRCRAFT COMPANIES (OBVIOUSLY EXCLUDING ROCKWELL) HAD PERSUADED APPROPRIATE USG AUTHORITIES TO RAISE NEW PROBLEMS ON YAK-40 CERTIFICATION.

3. COMMENT: EMBASSY WOULD WELCOME ANY AVAILABLE INFORMATION ON LATEST DEVELOPMENTS ROCK ISLAND CONTRACT. BOTH RODNOV AND ZINOV'YEV SAID THEY UNDERSTOOD CONTRACT HAD BEEN AWARDED TO FRENCH GROUP HEADED BY STE. ALSTHOM, WHICH WE ASSUME IDENTICAL WITH NEYRPIC GROUP MENTIONED REFTEL AS SECOND LOWEST BIDDER. STOESSEL

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